

# Commentary

THE BUFFIN FOUNDATION

SOCIAL AND ECONOMIC DEVELOPMENT ISSUES

## Britain's Post WW2 Economic Recovery Profiles in Leadership: Sir Stafford Cripps

Sir Stafford Cripps was one of the distinguished Labour Party politicians of Britain's post WW2 era alongside Attlee, Bevin, Morrison, and Dalton. Cripps was appointed President of the Board of Trade by Prime Minister Attlee in 1945, and was subsequently able to apply his expertise on trade in his role as Chancellor of the Exchequer from 1947–50. He had previously served as Ambassador to the Soviet Union from 1940-45 during which time his diplomatic skills helped forge an alliance between the Western Powers and the Soviet Union that was of critical importance during WW2. He was an expert on socialist principles and understood the important influence of Marxist economic policies in Europe. His advocacy of socialist policies within the Attlee government contributed significantly to Britain's postwar economic recovery. His determination to stabilize the British economy during an unprecedented national economic crisis earned for him the reputation as an outstanding leader within the Labour Party. Nicknamed "Old Incorruptible" Cripps was renowned for his integrity, competence and high principles.

Cripps gained popularity at home as a rival to Churchill's wartime policies. His fame grew after an inspirational 1942 public broadcast on the Soviet war effort, leading to a position in the National Coalition War Cabinet. 1942 also saw the launch of the Cripps Mission that addressed concerns over relations between India and Britain in the hopes of gaining India's help in the war effort in exchange for independence after the war's conclusion. The Mission, although too radical for Churchill's Cabinet and too conservative for Indian politicians, marked a turning point in the campaign for Indian independence. Cripps ventures in British foreign affairs, such as India, were not always as successful as he

would have hoped, but they demonstrated the strong conviction to progressive values that Cripps maintained throughout his career. Appointed as Minister of Economic Affairs in 1947, Cripps succeeded Dalton as Chancellor six weeks later. He inherited an intense financial crisis unlike any Chancellor before him had ever experienced. After WW2, the nation faced unemployment, a housing crisis, inflation, rationing, and the collapse of the British pound on an international scale. The policies set in place by Dalton's final budget plans had not had time to have much effect on the economy; Cripps needed to act fast; he had only a single weekend to prepare an historic new budget proposal.

The Labour government was committed to investment cuts but wanted to increase spending on social services, housing and food subsidies. Cripps knew tax increases were necessary to support this spending and avoid further inflation. This proposal was met with opposition on all sides, but Cripps vehemently defended his tax policies, increasing purchase taxes on beer, tobacco, and betting. Cripps also targeted wage increases and exports in his budget plan. Like his fellow Labour Party members, Cripps was a proponent of nationalization and modernization of industries and production. While production in Britain was certainly on the rise, wages and prices also experienced significant increases. To combat inflation caused by rising prices and wages, Cripps partnered with Bevin to write a White Paper, which proposed a plan to halt the increase in wages. This, too, was met with criticism, as it seemed to conflict with the Labour Party's core policies of keeping the workers' interests at heart. The key clause of the White Paper was that it did not freeze wage increases entirely, but rather, it halted automatic wage increases, thus avoiding rapid inflation due to the rise in prices.

Protecting the value of the British pound was Cripps key priority as Chancellor. When he heard that France planned to devalue the franc against the dollar, Cripps acted immediately to negotiate with the United States. Cripps refused to devalue the British pound, developing a "strong and stable pound" strategy that acknowledged that income earned from exports was paramount to keeping the economy on the road to recovery. With rising production rates, higher export prices, and the closing of the trade gap, Cripps brought Britain's external finances into balance and strengthened the pound once again. Cripps showed determination and a readiness to save the economy by appropriate means, including maintaining taxes and a rationing system, resulting in controlled consumption and a boost in global trade that revitalized the British pound. Personal incomes continued to see an increase under Cripps, and strict taxation policies allowed for continued spending on national social services such as housing, social insurance, and education. Although he was not trained as a professional economist, this proved to be no disadvantage, as Cripps surrounded himself with a round table of experts. He had an open ear to his peers and advisors, taking the opinions and perspectives of many into account during his time as Chancellor. His willingness to listen, combined with his strict policy measures, were defining attributes that made him a much-admired and successful leader in Britain's postwar recovery.

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